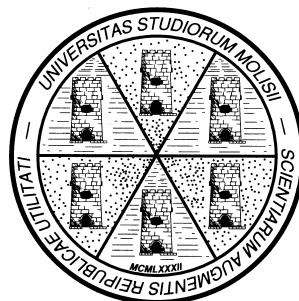


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Multi-level Governance: The General Model and the Italian Experience

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MULTI LEVEL GOVERNANCE: THE GENERAL MODEL AND THE ITALIAN EXPERIENCE

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1. INTRODUCTION

During the last twenty years, the communitarian system of Multi Level Governance (MLG) has become the EU model for territorial governance policies. In the EU MLG, different jurisdiction levels have participated in the decision-making system and regions and assumed a relevant role in development policies.

This paper aims to show the effects of such a model by evaluating the impact of decentralization policies on the dynamics and the dimensions of regional GDP, with specific focus on the effects determined by local development capital expenses at regional level.

The contribution is organized as follows: Section 2 highlights the main features of the EU MLG and describes how such a model aims to minimise coordination costs. Section 3 deals with the process of “europeanization” of Italian territorial policy and investigates the coherence of Constitutional reforms with EU MLG principles. Section 4 presents the data base used in the analysis. In section 5, a simple method is proposed in order to evaluate the effects of public expenditure in terms of regional GDP per capita, by dividing the expenditure per sector or macro-sector for economic purposes.

2. THEORETICAL BASIS OF THE MULTI LEVEL GOVERNANCE (MLG) SYSTEM IN EU DEVELOPMENT POLICY

Starting from the approval of the European Single Act (ESA), the European integration process has experienced a strong “creeping competences” course, Pollack (1994) and the multi-level model has become the main governance system characterizing the policy-making mechanism for EU public policies (the so-called *Multi Level Governance*).

Since the approval of the ESA (1986) and the Structural Funds Reform (1988), the MLG model represents the decisional scheme, fully characterizing the EU territorial policy, named “Cohesion Policy”.

The communitarian development policies and the connected programming system are based on a multi-level division of public spending responsibilities among different levels of governance as well as on a strong empowerment of local bodies, in particular Regional Governments and Local Institutions /such as Municipalities), for literature references see Marks (1992), Marks *et al.* (1996), Keating (1997), Bache (1998, 2004), Benz and Eberlein (1999), Bailey and De Propriis (2002), Morata (2002), Bagarani and Bonetti (2006).

The main factors underpinning the MLG of EU territorial policy and contributing to the success of the empowerment of local bodies, are: (i) the increasingly relevance of the “subsidiarity principle”; (ii) the shift of the EU development policies from a sectoral to a territorial approach in the 1990s, with the introduction of local development policies and a bottom-up approach; (iii) the political and administrative decentralization process experienced by several European Countries, see Scharpf (1994, 2000), Mayntz (1999), Hooghe and Marks (2001a), Marks and Hooghe (2004).

The EU MLG decision-making system relies on a very strict institutional framework where Public Jurisdiction constitutes the main actors. Nevertheless, it is possible to define a different MLG system based on a “soft” institutional framework where the decision-making system is “polycentric” and individual citizens (or specific lobbies) constitute its main actors, Hooghe and Marks (2001b).

This paper investigates the strict institutional MLG system. This system may be viewed as an extension of the “vertical subsidiarity” scheme regulating relationships among different EU jurisdiction levels. Furthermore, it characterizes the programming and management system of the EU territorial policy.

In the EU institutional MLG system, «authority and policy-making influences are shared across multiple levels of government», Hooghe and Marks (2001a:2). Several “general purpose” jurisdictions – super-national, national and local - negotiate the rules and allocation of funds in the policy-making process.

The institutional MLG and the process of regions empowerment have a strong relationship with the theory of “fiscal federalism”, Oates (1972, 1999, 2001), Tanzi (1995), Inman and Rubinfeld (1997), Ostrom and Ostrom (1999). The attribution of political “prerogatives” among different government

levels must be coherent with the territorial dimension of “public goods” externalities, Alesina and Wacziarg (1999:17).

Institutional MLG would be the best governing system to efficiently allocate the spill over effects of public goods among different government levels, where the attribution of political prerogatives must be coherent with the territorial dimension of public goods externalities. In other words, institutional MLG should contribute to the local internalization of such spill over effects.

These conclusions are supported by the Oates’ (1972) assumption of citizens’ preferences varying considerably among different levels of membership and territorial-based jurisdictions. This behaviour represents one of the main reasons for justifying programming and managing multi-level models of the EU territorial policy. In fact, by adopting the institutional MLG, EU territorial jurisdictions try to match the heterogeneous territorial demand for public policies to every possible extent. As stated in Oates (1972), the stronger the level of preferences for heterogeneity within a jurisdiction, the lesser the efficiency of a devolution policy. At the same time, the stronger the territorial identity, the more homogeneous the preferences system is, and therefore the process of regionalization is more convenient and sustainable.

Despite the advantages mentioned above, the multi-level governance system generates some costs. They are determined by the need for constant dialogue within each institution (*i.e.* mostly transaction costs) as well as among different institutions.

The theoretical model implies a small number of levels of governance operating from top to bottom: a limited number of jurisdictions simplifies internal governance procedures for joint operations by drastically reducing interactions to share information.

More in general, the system is governed by a pyramidal hierarchical structure headed by a jurisdiction able to provide the system with general directions. This power arrangement gives the necessary stability to the system and, as a consequence, potentially allows them to rapidly overcome any institutional conflicts. In this framework, the communitarian MLG model is characterized by the absence of overlapping territorial authorities (*i.e.* the number of multi-objective jurisdictions is indeed limited and institutional constraints are firmly determined by territorial boundaries, inspired by the principle of territorial identity).

As a consequence, the MLG model presents many structural limitations:

- the rigid institutional framework and the jurisdictional boundaries characterizing the political architecture of the MLG model, determine operational difficulties in the implementation of structural changes. Decisional procedure constraints inhibit the establishment of new institutional structures and jurisdictions and make them particularly expensive in terms of social and economic costs;
- strong territorial identities and inelastic membership arrangements limit institutional development, exacerbating resistance to the creation of supra-national or supra-regional jurisdictions;
- the MLG system strongly depends on the managerial and administrative skills of the full set of institutions. A suitable level of administrative efficiency in every jurisdiction is indeed an essential prerequisite to ensure the whole MLG systems efficient functioning and to reduce the coordination costs.

Recent experiences in Italy and Europe confirm the difficulty in characterizing processes of reform of already operating MLG systems. The difficulties connected to the modification of constitutionally defined set of rules could be a good example of the problems mentioned.. The recent campaigns before the referendums for approval of the community’s new Constitution have emphasized the existence of ‘localized’ resistance, determined by more or less strong territorial identities.

In conclusion, the recent Structural Funds Reform for the programming cycle 2007-2013, highlights how the existence of different degrees of managerial and administrative institutional efficiency can lead to sub-optimal governance solutions. As a consequence, in the context of the new programming cycle, the Commission proposes a broad set of reforms aimed at managing the entire programming system and implementing interventions. Such changes do not derive from the search of a reasonable balance

between costs and benefits of the overall institutional architecture of the EU territorial policy but they originate from an awareness of the need to continue supporting capacity building processes in new Member States which are certainly weaker at administrative level.

Given the above mentioned characteristics, the MLG model is substantially different from the classical governance system summarized in the two classic formulas: top-down and bottom-up approaches. In the framework of the communitarian MLG, both approaches are included, each one with its own “specialization”.

For the model to be successful, several institutional conditions need to be satisfied:

- high coordination capability between all the involved institutional levels;
- general agreement on the political choices at all jurisdictional levels;
- management skills in the coordination and implementation of program choices at all governance levels;
- ability to match society preferences;

The MLG model requires as essential, some “objective” conditions such as the presence of shared rules to be decided on the basis of a general consensus between all the parties involved in the action. At the same time, “subjective” conditions, based on internal managerial skills, are equally indispensable (two cases of best practices are represented by the contribution of Ms Spezzano and Mr Tola).

Incentives and bonuses will be granted to managers and administrators as well as penalties which are applied in order to enhance administrative efficiency.

In fact, the aim of the model remains twofold:

- a) the maximization of benefits deriving from the creation of external economies produced by public goods at various jurisdictional levels;
- b) the reduction of coordination and transaction costs engendered within the model.

The main priority of the Cohesion Policy is to achieve economic convergence across different territorial areas, see European Commission (2001, 2004). Such a priority is further confirmed by the choice of the particular instruments used to achieve the stated set of goals in the MLG model: regulations, strategic guidelines, operational plans and programs.

All these tools adopted by EU are characterized by:

- interrelations with territorial jurisdiction levels (regulations and strategic guidelines at community level, planning at national level, programs at regional level and further);
- multi-task profiles;
- mutually excludability (non-overlapping jurisdictions);²
- multi-fund structures, *i.e.* expenditures are financed by communitarian and national (central and regional) funds;
- general agreements between institutional actors based on negotiations;
- a procedural itinerary rigorously shaped in all its phases from set-up to implementation of the program through a pathway of rigid regulations and which is difficult to modify.

The implementation of programming instruments within a context of shared rules among policy makers at different levels of government, should achieve the goals fixed by each program at its own jurisdictional level. The more one climbs the jurisdictions hierarchical ladder, the more that goals become representative of the common interests of a large population and the more actions taken by the jurisdictional entities at lower levels represent a constraint in the achievement of those general goals. As already said, this means that: (i) programs worked out at different jurisdictional levels have to be functionally connected; (ii) each level of government must be efficient, in order to render the whole governance system, efficient.

There are no functional dependencies among the results attained by jurisdictions belonging to the same level (*i.e.* each region is coordinated with another in few cases). Therefore, at a given level (*e.g.* regional), programs can only find unity and general coherence at the upper jurisdictional level. This assumption is coherent with the goal of minimising coordination costs.

² This characteristic is not really binding as it has been weakened considerably by the most recent Funds Reform that tends to encourage interregional interventions.

3. THE EMPOWERMENT OF REGIONAL AND LOCAL AUTHORITIES IN ITALY

A strong process of fiscal decentralization started in Italy, from the legislative and administrative point of view, in the second half of the 1990's. In that period, Italy experimented with the remodelling of national policies towards a more effective decisional power at regional and local level. The process led to a full application of the MLG model, as above described, which is seen as the usual way to govern the relationships between different jurisdictional levels, all of them aimed at the same common objective: to enhance the level of economic and social welfare in the population.

Scholars agree in identifying the first step of this process with the start, in 1998, of the policy named *nuova programmazione* ("new programming") that introduced the key role of intra-jurisdictional dialogue as a fundamental instrument in defining political action at different territorial levels. As a consequence, regions and the other local governments assumed new functions and responsibilities especially in order to take decisions about fiscal policy: decentralized fiscal policy is almost exclusively limited to the expenditure side and, more precisely, to capital expenditure, while the revenue side still remains, *de facto*, under central control.

The reasons for this choice rely on an intuitive logic: potential regional capital expenditures have more capacity to understand local differences in population preferences and as a consequence, will be more effective in promoting economic development than central policies, see Oates, (1993).

Of course in this case, the more that the (regional) administration is efficient and effective, the more that public (regional) policy will meet and satisfy (regional) demand. On the contrary, an inefficient regional system could probably not be able to implement the expected investments, even if regional politicians have the right perception about local needs.

The will to adopt the principles of MLG and to follow a path of regionalization should favour, in an indirect manner, a strong increase in administrative efficiency in running policies for development at regional and local level. When public action fails in obtaining higher levels of efficiency and effectiveness, the existence of a very weak effect, if any, between decentralization and variations in GDP per capita, should be verified.

Actually, decentralization is thought of as an effective "devolution of political decision-making power" and not only as a "mere administrative delegation of functions of the central government to local branches", see Bardhan (2002:186).

Still today, the issue of the theoretical and political validity of the legislative autonomy of the regions is a subject for debate.

In general, the theory and the empirical studies on fiscal policies of decentralization pay little attention to the effects on economic growth. Most of the studies focus on the gains in terms of economic efficiency due to a higher capacity to match the consumer preference scheme. Some of them try to analyze the impact of decentralization, or public expenditure composition, on macroeconomic performance and economic growth or development, see Barro (1990), Devarajan, Swaroop and Zou (1996), Alesina and Wacziarg (1999), Akai and Sakata (2002), Feltenstein and Iwata (2005).

4. DATA

The research used three different public databanks:

1. the databank of *Territorial Public Accounts* (Regional Public Accounts, RPA) developed by the Italian Ministry of Economic Development contains the flows of public expenditure per year, government level (central, regional, local and PA entities) and the sectors of economic allocation, divided into 29 sectors of expenditure
2. the databank of *Regional Economic Accounts* (Regional Economic Accounts, REA) worked out by the Italian National Institute of Statistics (ISTAT) and providing relevant data on regional socioeconomic characteristics in the period 1994-2005 (*e.g.* GDP levels, regional demographic size, economic activities, income production, *etc.*);

3. the information collected by both ISTAT and MED on regional socioeconomic indicators, such as economic poverty, unemployment rate, population educational attainment, crime incidence, *etc.*, in particular the data set of Statistics for the development policy named *Indicatori di contesto chiave e variabili di rottura* (Key indicators and baseline variables) and included in *Statistiche per le Politiche di Sviluppo* data set (Statistics for development policies).

As far as the statistics regarding public expenditure are concerned, the study used only the flows of capital expenditure which are considered as the most suitable for evaluating the impact of local development public intervention on regional income.

Regional economic accounts which rendered the regional macro-economic aggregates usable e.g. GDP at constant and current cost, and the GDP per capita, both to be used in the phase of empirical analysis.

Finally, the socio-economic databank provided all the information regarding the regional levels which are indispensable for a correct evaluation of the effects of the public expenditure provided by the many government components in regional territories.

The degree of decentralization and more in general, the level of expenditure and economic policy autonomy, is identified on the basis of public expenditure data from all possible aspects. The GDP and the GDP per capita provide a consolidated indicator of development, while the contingent data are a credible representation of the social capital available in the region.

In total, the analysis uses three categories of explanatory variables:

- public capital expenditures recorded for different sectors, in order to record the impact of local development expenditure on regional GDP dynamics;
- “social variables”, such as education rates, crime rate, *etc.*;
- “economic variables”, such as employment rate, unemployment rate, *etc.*;

5. EMPIRICAL ANALYSIS

The theoretical model used in the empirical assessment states that the regional income is determining in terms of available capital and public expenditure provided throughout the territory:

$$Y_i = f(K_i, G_i) \quad [1]$$

where:

Y_i GDP per capita of the X_{th} region

K_i capital available from the X_{th} region

G_i the public expenditure provided by various government levels and for the different sectors in the territory of the X_{th} region

Given that the function can be of linear type and using the available statistics, [1] can be evaluated as follows:

$$Y_{i,t} = \alpha + \sum_{j=1}^J \beta_j X_{j,i,t} + \sum_{k=1}^K \gamma_k G_{k,i,t} + \varepsilon_{i,t} \quad [2]$$

where:

$Y_{i,t}$ GDP per capita of the region i at time t

$X_{j,i,t}$ context variables j providing in direct measurement of the level of social capital available throughout the regions i at time t

$G_{k,i,t}$ public expenditure in capital account per sector or destination k with indirect attribution per government level throughout the regions i at time t

This section presents the main results deriving from the analysis of regional data. In the first section, the two aggregated variables introduced in [2], $X_{i,t}$ e $G_{i,t}$, are analyzed, while in the second section, an econometric evaluation of the impact of decentralization on GDP per capita is developed. Panel data models are used in order to investigate the determinants of time variation in GDP per capita and, in particular, to focus on the role of central and local expenditure.

5.1 Aggregated variables used

a) the context variables $X_{i,t}$

As previously said, with this range of variables we intend to introduce an initial approximation of the social and economic capital available across the regional territory which will surely contribute to explaining the regional GDP level and dynamics per capita.

In particular, the following variables have been considered:

- unemployment
- employment
- education between 15 and 19 years of age
- education between 20 and 24 years of age
- general level of education
- crime rate

Obviously, we do not expect to be exhaustive in consideration of the fact that part of the variables listed have not been used in the final versions of the models, in as much as they are not relevant or scarcely relevant from an econometric point of view.

b) variables of regional expenditure $G_{i,t}$

As previously said, the data set on regional expenditure is constituted by annual flows in the capital account provided in the territorial regions between 1996 and 2005. In particular, data related to the following have been used:

- a) the expenditure in the capital account divided per government level and sector of expenditure at aggregated national level and per territorial macro-areas
- b) the expenditure in the capital account divided per sector and region

As far as the first group of data is concerned, an index of specialization (ISP) has been calculated in order to determine the expenditure “profiles” from the sectoral point of view for each government level, Lo Cascio (1984). The index used can be represented as:

$$ISP = \frac{\frac{x_{ij}}{\sum_i x_{ij}} - \frac{\sum_j x_{ij}}{\sum_{ij} x_{ij}}}{\left(1 - \frac{x_{ij}}{\sum_i x_{ij}}\right) \times \frac{\sum_j x_{ij}}{\sum_{ij} x_{ij}} + \left(1 - \frac{\sum_j x_{ij}}{\sum_{ij} x_{ij}}\right) \times \frac{x_{ij}}{\sum_i x_{ij}}} \quad [3]$$

where X_{ij} is the expenditure amount of the sector i at the administrative level j .

This index has a maximum equal to 1 (highest specialization) and a minimum equal to -1 (absence of expenses, *i.e.* lowest specialization).

The index has been calculated for each year and territorial aggregate (North-centre and South of Italy) in order to verify the stability of the profiles in space and time.

The results of this application are presented in table 1 in the annex.

There are only five sectors of expenditure which are not directly associated with the government levels in terms of specialization. For the remaining 24, it is possible to define the government level in which each sectoral expenditure is specialized, with a good degree of reliability.

The second group of data is constituted from a data set in a capital account for 29 sectors, 20 regions and 10 years. This data set is the statistical basis for estimating the econometric models described in the following section.

5.2 Panel data analysis

OLS panel fixed-effects models are used to investigate the determinants of the inter-temporal dynamics of regional per capita GDP. A panel of 20 groups (regions) over a period of eight years, from 1996 to 2003, was used. The Hausman test was performed and the hypothesis of random effects was rejected, see Hausman (1978).

Four models are to be considered: the first assesses the importance of dividing the expenditure among government levels on the basis of the specialization results described in the previous section- the remaining three models provide an explanation of the dynamics of the regional GDP per capita, thus associating the sectors of expenditure per type of action across the territory. In particular:

- model 2 – proposes an association of sectors of expenditure aimed at enhancing the local production systems (roads, agriculture, commerce, industry, waste disposal, environment, water);
- model 3 – proposes an association of sectors of expenditure aimed at enhancing the local human capital (education, training, research & development, social services, labour social security);
- model 4 – proposes an association of sectors of expenditure aimed at enhancing the local social capital (public order and safety; justice; culture; housing; health; other health investments).

The models aim to verify if the division of expenditure between government levels plays a determining role in explaining the dynamics of the regional GDP per capita (model 1) and if and up to what level the specific sectors which are associated according to a logic of economic policy, contribute to the same GDP dynamics.

The analysis of the results seen in table 2 (page 11), shows the substantial insignificance of the variables related to the expenditure per government level which were introduced in model 1. the only relevant observation concerns the parameters which are positive for the regional and local levels, and negative for the central level even though the scarce degree of reliability of evaluations leaves their validity doubtful.

On the contrary, the following three models have a high degree of significance in nearly all the estimated parameters and allow for some critical considerations about the results obtained.

In model 2 (local production system) the variables introduced, represent expenditure interventions directly aimed at the local production system (agriculture, commerce, industry) and interventions aimed at the indirect support to the production system, by generating external economies (roads, waste disposal, environment, water). All the parameters, excluding commerce and water, are very significant. The negative results are associated with the two weaker and less developed production sectors (agriculture and commerce) as well as the interventions in the water sector, sector that generally produces benefits, but does not increase the added value.

In model 3, the variables represent interventions of expenditure aimed at enhancing human capital. The lack of significance regarding training expenditure as well as the negative signs associated with labour and social security policies, should be underlined. On the contrary, the significance levels and the signs related to education, research and development and social services expenditure are particularly interesting.

In model 4, the variables represent the expenditure aimed at supporting social capital. In this case, the only variable which presents negative signs with a not significant coefficient, is the variable on housing expenditure.

6. CONCLUDING REMARKS

This paper investigates two issues: (i) to what extent the reorganization of the Italian system is coherent with the main features of the EU MLG system in the governance of territorial policies; (ii) to what extent the decentralization in programming policies of development has proceeded with the transfer of capital expenses from central (Central Administrations) to local (Regions and local bodies) jurisdictions and how relevant is the impact of the decentralization process on GDP .

Some concluding observations emerge from the study conducted:

1. the process of political, economic, fiscal and administrative decentralization in Italy has not yet been completed, although developed in coherence with the strategies established at Community level
2. the decentralization process strongly depends on the level of administrative and political efficiency and efficacy within territorial jurisdictions with particular reference to the regional jurisdiction
3. in terms of expenditure for development, the expenditure in capital account, the attribution of competencies, responsibilities and specializations - these do not seem to have proved useful for the creation and dynamics of the regional GDP per capita. Thus, the decentralization so far implemented has not contributed to development (as opposed to the theoretical hypothesis at the basis of the theory of federalism)
4. one of the reasons which can explain the previous point, lays in the possibility that the low level of efficiency of territorial non-central jurisdictions determines a lack of propulsive capacity of expenditure
5. the introduction of the single sectors of expenditure in the models highlights that for some of them, almost half of the data set available, a positive contribution to creation and growth of the regional GDP, was evaluated
6. particularly worrying are the results regarding the lack of contributions for training, and the negative contribution to labour and social security expenditure

More in general, the positive effects on the regional GDP can be assessed only when groups of sectors of expenditure are taken into consideration which, at the same time, involve various jurisdictional levels of competence. This confirms the hypothesis that local development is not the final result of an action of federalism, rather a complex association of multi-level interventions which are as coordinated as much as possible.

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9. ANNEXES

Table 1: Sector distribution of the expenditures by level of govern

Central	Regional	Local	Not otherwise classified
Social Security Telecommunications Energy Other Economic Affairs Public order and safety R&D Industry and handicrafts			
	Other Public Works Other functions Fishing Health Training Tourism Agriculture Employment Commerce		
		Other Health Services Education Sewage pipes General administration Justice Roads Waste Disposal Culture	
			Social Services Environment Housing Water Other Transportation

Table 2: Determinants of regional GDP per capita dynamics (1996-2003): a panel data analysis

Variable	mod1	mod2	mod3	mod4
local sectors	0,43062 (1.20)			
regional sectors	0,17469 (0.24)			
central sectors	-0,17222 (-1.42)			
unemployment	-144,83 (-4.79)***	-268,16 (-10.2)***	-219,59 (-7.83)***	-250,46 (-8.67)***
edu2024	94,28 (8.47)***			
crime	3,8189 (2.51)**	4,0098 (2.49)**	5,5929 (3.52)***	5,2573 (3.02)***
roads		5,5914 (4.44)***		
agriculture		-4,5438 (-3.41)***		
commerce		-9,464 (-1.64)		
industry		0,50657 (2.66)***		
waste disposal		8,2158 (2.06)**		
environment		4,4602 (2.86)***		
water		-5,3555 (-1.6)		
education			10,877 (4.11)***	
training			3,8847 (1.41)	
research & development			27,371 (4.8)***	
social services			23,032 (4.75)***	
labour			-7,2341 (-0.97)	
social security			-2,8279 (-3.24)***	
public order & safety				11,501 (3.24)***
justice				31,043 (2.28)**
culture				10,798 (3.62)***
housing				-1,3136 (-1.1)
health				7,4455 (2.28)**
other health investments				7,5414 (1.26)
constant	11586 (11.86)***	18647 (44.44)***	17691 (34.42)***	17975 (37.22)***
Number Obs.	160	160	160	160
degree of freedom	134	131	132	132
r ² overall	0,58001	0,8039	0,65855	0,7193
F	53,73	29,608	35,614	29,733

¹ t values in parenthesis. Level of significance: *** 10%; ** 5%; * 1%. Absence of heteroskedasticity was verified with Breusch-Pagan test in each model.

7. ABSTRACT

During the last twenty years, the introduction of the principle of subsidiarity and the identification of regions as political entities for the coordination of structural expenditure at the local level have led to the adoption of the principle of multi-level governance (MLG), on which principle EU government action is still based.

The principle is based on the notion that the spread of governing practices (governance) across various institutions, and hence jurisdictions, results in a greater efficiency of allocation and an improved regulatory capacity compared to what more centralized governmental models are capable of yielding.

According to this view, multi-level forms of government are better able to identify the effects of external economies which arise from the supply of public goods at different territorial levels. In other words, a multi-level governmental model enables, more so than other models, these external economies to be internalized and, at the same time, complex and heterogeneous demand from the local populations to be met through territorial intervention policies.

Within this framework we will describe the multi level governance (MLG) model adopted from all the Countries of the EU, which constitutes the basis for national and local Public Administrations' actions in the field of the social and economic development policy addressed to the disadvantaged areas of the Communitarian territory. We will present: a theoretical description of the model MLG in its different categories; the category adopted as a target by the EU with its specific characteristics, and the way those characteristics determine, in terms of operating consequences, the definition of objectives, responsibilities and roles. With reference to the Italian case, we will also describe the practical effects of the MLG model both on the communitarian and national funds governance.